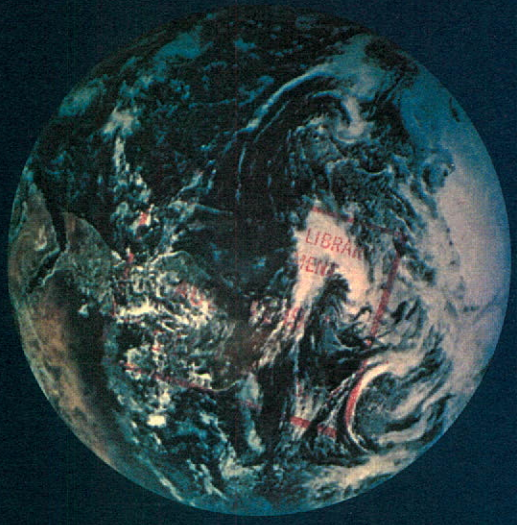
PanCanadian

annual report 1979



Canadians will be challenged in the 80's to develop domestic energy resources and to improve the efficiency of energy use to achieve self-sufficiency in the 90's

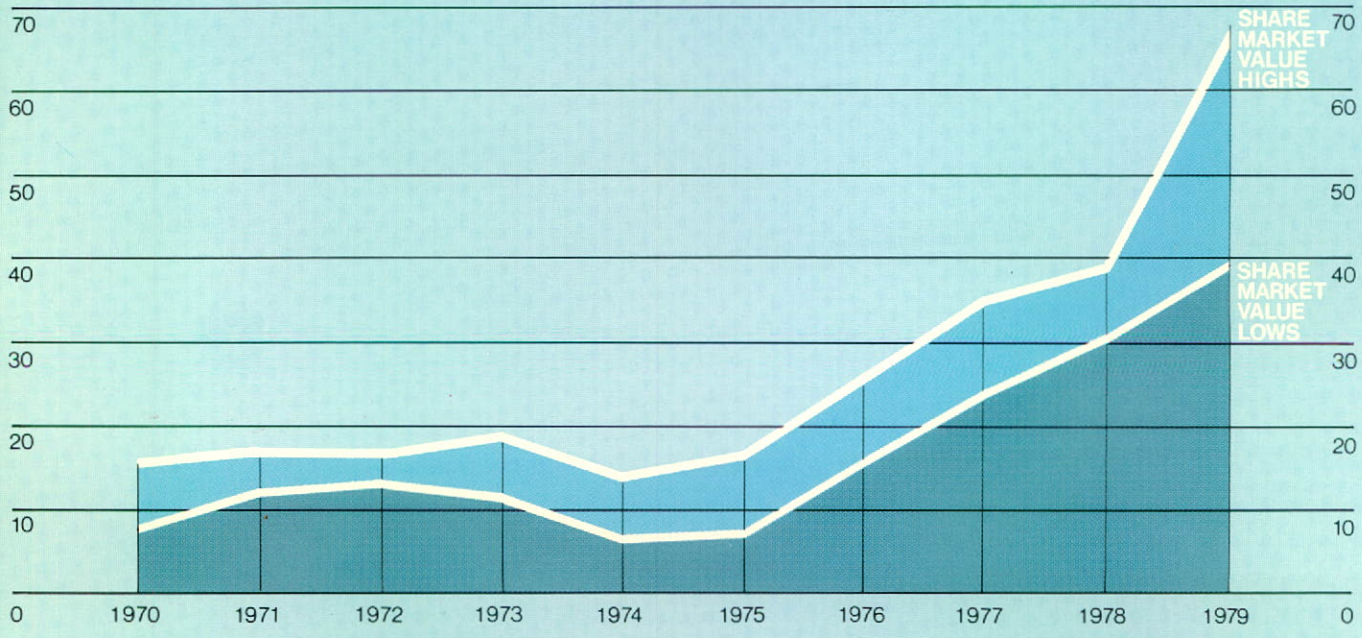
HOWARD ROSS LIBRARY
OF MANAGEMENT
AUG 31 1981
McGILL UNIVERSITY

Highlights

Financial	1979	1978
(Dollar amounts in thousands except per share figures)		(Restated)
Gross Income	$423 905	$333 762
Funds from Operations	268 107	233 797
Per Share	8.59	7.49
Net Income	165 830	155 883
Per Share	5.31	4.99
Dividends	54 632	35 583
Per Share	1.75	1.14
Capital Expenditures	215 191	341 317
Long-Term Debt at end of year	204 390	271 855
Working Capital at end of year	38 050	72 393
Operating		
Production (After Royalty) — Daily		
Natural Gas — million cubic feet	289.9	275.9
Crude Oil and Natural Gas Liquids — barrels	52 949	46 981
Synthetic Oil — barrels	1 238	—
Drilling Statistics — Working Interest Wells		
Exploratory Wells Drilled	340	285
Indicated Successes	232	159
Development Wells Drilled	256	331
Indicated Successes	240	318
Net Working Interest Acreage (thousand acres)	11 596	11 566

Share Market Value

dollars



Contents

Directors and Officers	2
To the Shareholders	3
Exploration	6
Production	12
The Challenge of the Eighties	16
Reserves	18
Financial	20
Auditors' Report	22
Financial Statements	23
Ten Year Statistical Review	30

Shareholders' Meeting

The Annual and Special General Meeting of Shareholders will be held in the Marquis Room of the Palliser Hotel, Calgary, Alberta at 10:00 a.m. local time on Thursday, April 3rd, 1980. Notice of meeting, information circular and form of proxy are being mailed to each Shareholder with this report.

Corporate Directors

*	Robert W. Campbell Calgary, Alberta	Chairman of the Board and Chief Executive Officer of PanCanadian Petroleum Limited; Director of Canadian Pacific Investments Limited, Cominco Ltd., and Dominion Bridge Company, Limited
‡	Albert D. Cohen Winnipeg, Manitoba	President and Chief Executive Officer of General Distributors of Canada Ltd.
	Jock K. Finlayson Montreal, Quebec	Vice Chairman of The Royal Bank of Canada
†	G. Donald Love Edmonton, Alberta	Chairman and President of Oxford Development Group Ltd.
*	J. Wallace Madill Calgary, Alberta	General Manager of Alberta Wheat Pool
‡	Hugh A. Martin Vancouver, B.C.	President of Western Construction & Engineering Research Ltd.
	Paul A. Nepveu Montreal, Quebec	Vice Chairman of Canadian Pacific Investments Limited
†	John C. Ross Lethbridge, Alberta	Rancher; President of the Milk River Cattle Company Limited
	Ian D. Sinclair, Q.C. Montreal, Quebec	Chairman and Chief Executive Officer of Canadian Pacific Limited
	W. J. Stenason Montreal, Quebec	President of Canadian Pacific Investments Limited
*	J. M. Taylor Calgary, Alberta	President of PanCanadian Petroleum Limited; Director and Chairman of the Board of Panarctic Oils Ltd.
*	Marshall M. Williams Calgary, Alberta	President of Calgary Power Ltd.

* Member of Executive Committee
‡ Member of Audit Committee

Corporate Officers

Robert W. Campbell	Chairman of the Board and Chief Executive Officer
J. M. Taylor	President
Bartlett B. Rombough	Executive Vice President
Ian D. Sinclair, Q.C.	Vice President
C. H. Stevens	Senior Vice President — Administration
R. C. Verner	Senior Vice President — Operations
A. W. Groll	Vice President — Production
C. R. V. Thomson	Vice President — Exploration
K. B. Cusworth	Vice President — Corporate Research
K. A. Wurzer	Treasurer
D. N. Maxwell	Comptroller
V. B. Watson	Assistant Treasurer
George E. Little	Corporate Secretary
C. Millar	Assistant Secretary
Virginia M. James	Assistant Secretary

To the Shareholders

Canadians will be challenged in the 80's to develop domestic energy resources and to improve the efficiency of energy use to achieve self-sufficiency in the 90's.

PanCanadian believes energy self-sufficiency for Canada is a necessary national objective and plans to be in the forefront of meeting the challenge through its aggressive exploration and development programs. Your Company's goal is to increase its reserves with as much success in the coming decade as was achieved in the past ten years. At the beginning of the seventies, PanCanadian owned net conventional oil and gas reserves of 428 million barrels of oil equivalent (BOE)*. Now, at the beginning of the eighties, and after producing 262 million BOE throughout the decade, these reserves have increased to 674 million BOE (excluding Panarctic). In addition, your Company owns 45 million gross barrels of synthetic oil reserves through its participation in Syncrude.

PanCanadian's financial growth in the past decade was equally significant. Net income increased from $10.8 million in 1970 to $165.8 million in 1979, an average annual increase of 39%. This financial success has been due, in part, to PanCanadian's aggressive capital expenditure programs which increased from $23.9 million in 1970 to $215.2 million in 1979. These expenditures reflect 89% reinvestment of cash flow over the past ten years. Cash flow and earnings of these magnitudes will be necessary in the next decade if PanCanadian is to maintain reserves growth.

Your Company's net income in 1979 increased by $9.9 million over the restated 1978 net income of $155.9 million. Funds generated from operations were $268.1 million in 1979 compared with $233.8 million in 1978. Capital expenditures were $215.2 million in 1979 compared with $181.3 million in 1978, excluding the acquisition of an interest in the Syncrude project. Funds spent on exploration in 1979 increased to a record $155.3 million from $133.4 million in 1978. Development expenditures were $59.9 million in 1979, an increase of $12.0 million over the 1978 expenditures of $47.9 million.

Net natural gas sales, which continued to be held below production capability because of market conditions, averaged 289.9 million cubic feet a day compared with 275.9 in 1978. Net production of crude oil and natural gas liquids, including Empress, increased to 54 187 barrels a day compared with 46 981 barrels a day in 1978. This increase is mainly due to higher market demand for crude oil, increased sales from Empress and the addition of Syncrude production.

In 1979, the Alberta Energy Company Ltd. exercised an option to acquire a 20% interest in the Syncrude project. As a result, PanCanadian received a cash payment of $27.5 million and its interest in Syncrude was reduced from 5% to 4%. Production from the Syncrude project in 1979 totalled 18 million barrels, averaging nearly 50 000 barrels a day. During the third quarter, daily average production of approximately 82 000 barrels was sustained for a period of over two months. Production during 1980 is expected to improve over the average 1979 levels despite recent mechanical problems.

PanCanadian, as one of the founding shareholders, is interested in the success of ProGas Limited. ProGas was established in 1978 to pursue two objectives: to find new market outlets for surplus Canadian gas and to be a new competitive purchaser in the gas industry. In 1979, ProGas received an export licence from the National Energy

Reserves Growth in the Seventies
After Royalty, in thousands

	Crude Oil barrels	Natural Gas Liquids barrels	Natural Gas BOE	Total Reserves BOE
1969	172 686	16 872	238 000	427 558
1970	185 312	18 335	272 833	476 480
1971	200 684	17 529	271 167	489 380
1972	197 375	18 572	271 167	487 114
1973	188 422	18 333	370 833	577 588
1974	176 278	18 215	383 000	577 493
1975	166 460	19 485	397 333	583 278
1976	147 256	18 595	394 333	560 184
1977	136 864	16 099	408 000	560 963
1978	129 634	16 702	447 167	593 503
1979	127 114	17 632	528 957	673 703

Does not include Panarctic, Syncrude or Marguerite Lake.
* Six thousand cubic feet of gas equals one barrel of oil equivalent (BOE)

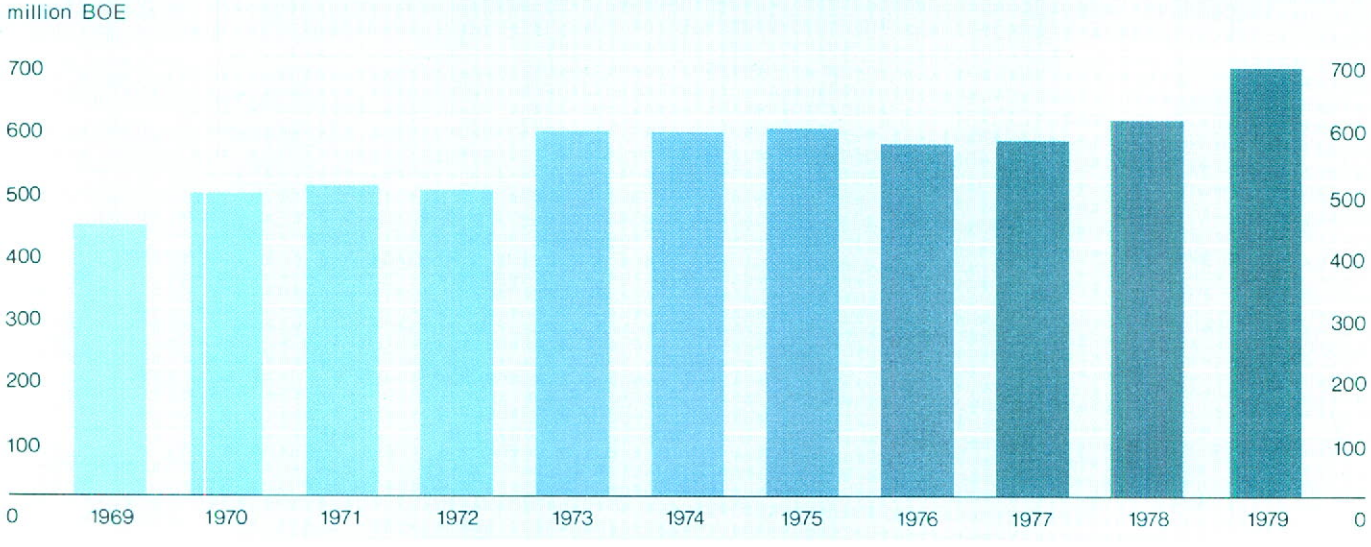
Board for 600 billion cubic feet of gas. This important achievement is a promising start and your Company will continue to support and encourage ProGas in taking an active role to stimulate markets for Canadian natural gas.

PanCanadian was also one of the originating shareholders of Panarctic Oils Ltd. Through its financial support of Panarctic, your Company has participated in Arctic Islands oil and gas exploration which was highlighted in 1979 by a major gas discovery at Whitefish H-63, offshore Lougheed Island. After more than a decade of exploration activity and several major gas discoveries, reserves have been found in sufficient quantity to consider methods of transporting gas to market. One of these is the Polar Gas Project which recommends a combined pipeline system for connecting supplies from the Arctic Islands and the Mackenzie Delta. The other is the Arctic Pilot Project which would deliver Arctic Islands liquified natural gas in ice-breaking cryogenic tankers. The timely selection of the most appropriate transportation system will be important for your Company because of its interest in Panarctic. The National Energy Board hearings to consider applications by the sponsors of these projects will likely be announced in 1980.

The outlook for PanCanadian's crude production in 1980 is encouraging as a result of increased domestic demand for light and medium crude oil and continuing exports of heavy crude. In the longer term, however, your Company is concerned about President Carter's decision to support the all American Northern Tier Pipeline route for the delivery of Alaskan North Slope crude oil to United States markets. This Alaskan crude is of a similar quality to Canadian heavy crude which has traditionally been marketed in the U.S. Northern Tier. PanCanadian will continue its endeavors to ensure that surplus Canadian heavy crude will not be prematurely displaced from these markets.

PanCanadian expects to increase its sales of natural gas in 1980 although the increase will not be as large as the Company is capable of producing. A number of current regulatory decisions and proceedings will encourage more vigorous growth of production after 1980. In 1979, the Alberta Energy Resources Conservation Board significantly increased its estimate of ultimate gas reserves potential in Alberta and reduced the protection period for meeting the province's forecast gas demand. As a result it will be possible to remove larger volumes of gas from the province and as markets develop production will increase. Also in 1979, the National Energy Board approved new gas export licences amounting to 3.75 trillion cubic feet.

Early in 1980, the National Energy Board concluded hearings on the application for approval to extend gas transmission facilities into potential domestic markets east of Montreal. It is hoped that the decision will reflect your Company's opinion that the burden of any subsidy needed by consumers should be borne not



only by shareholders of producing companies, but also by those of transmission and distribution companies as well as government. PanCanadian also expects the federal government and the government of Alberta to reach a conclusive agreement on an incentive gas pricing scheme, whereby it will be possible to further increase gas sales in existing domestic market areas.

Late in 1979 the producing provinces and the federal government commenced a new round of crude oil and natural gas price negotiations. In the face of a highly volatile international pricing system, these negotiations are, and will continue to be, controversial. Nonetheless, it is PanCanadian's opinion that Canadians must immediately accept substantially higher prices if Canada is to achieve energy self-sufficiency. Your Company is also of the opinion that despite recent suggestions to establish a multi-tiered price system, a single price for Canadian oil will be the most effective means of providing industry with the incentive to explore for and develop the additional hydrocarbon reserves required.

Given this incentive, PanCanadian will be able to continue its aggressive exploration efforts. In Alberta, special attention will be directed toward the Deep Basin area, and the central and southeastern areas where the Company has large land holdings. In the North, the Company will continue full support of Panarctic's exploration efforts. Offshore eastern Canada, your Company will continue to participate in the drilling of Aquit et al Hekja O-71 which encountered hydrocarbon potential in 1979. Internationally, Australia and the North Sea continue to attract your Company's interest, as does exploration in the United States where the present level of activity will be maintained.

Fortunately, reasonably stable relations between the federal government and the producing provinces have given the industry favorable domestic and export prices for oil and gas. PanCanadian hopes that this stability will be as characteristic of the future as it has been of the recent past. The Company realizes that this will be particularly difficult to achieve in view of the turbulent international environment. Nonetheless, the overall goal of self-sufficiency will be attained only through realistic energy policies supported by all Canadians.

The Company is particularly grateful for the cooperation and effort of its own staff. It is only through their capability, energy and reliability that PanCanadian has been, and will continue to be, successful.

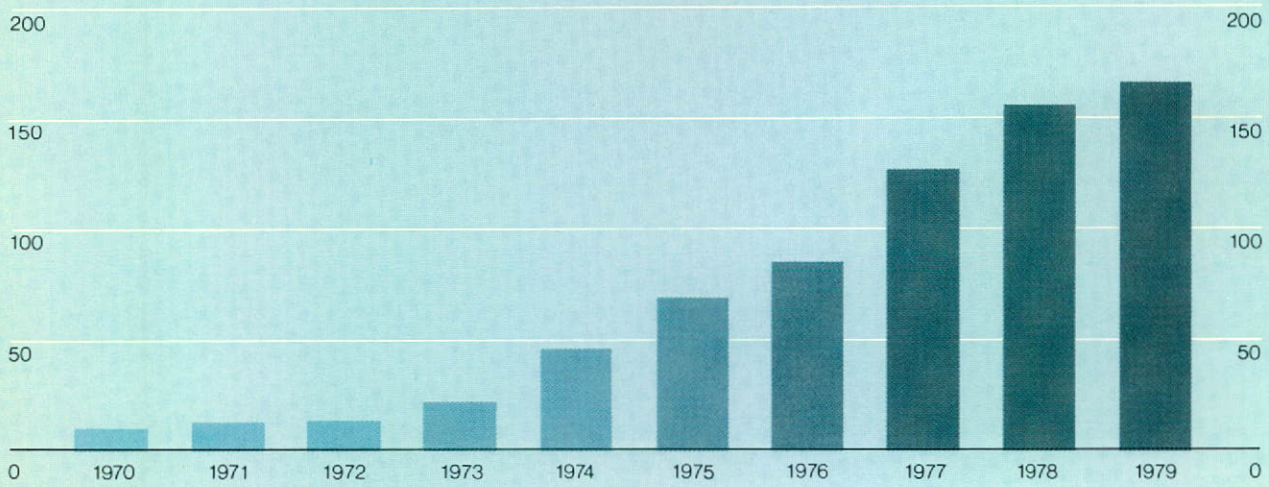
Robert W. Campbell
Chairman of the Board and
Chief Executive Officer

J. M. Taylor
President

Calgary, Alberta
March 3, 1980

Net Income

millions of dollars



The Company's aggressive exploration and land acquisition program in Canada increased momentum in 1979, in keeping with the active pace of industry. A total of $31.4 million was spent on land in Alberta and British Columbia, where 250 000 gross acres were added to the land inventory. PanCanadian had an interest in 1 117 wells drilled in 1979 of which 709 were gas and 198 were oil successes.

Alberta

The Grande Prairie area of the Deep Basin in northwestern Alberta continues to be an industry focal point and was an area of intense activity throughout 1979. Of the 35 wells in this area in which PanCanadian participated in 1979, 20 are oil and eight are gas wells. At the end of 1979, nine oil wells were on production. PanCanadian and partners acquired 63 000 gross acres in the area in 1979.

Successes in Alberta exploratory programs were not limited to Grande Prairie. In the northern plains, drilling at Tangent led to a gas discovery at 6-32-80-23 W5M. The well encountered gas in five separate zones which will be further tested in 1980 and additional drilling is planned.

Drilling continued at Pembina where one gas and two oil wells are currently being evaluated. PanCanadian and partners will drill several locations in 1980.

Further south, the Hoadley-Wilson Creek area of central Alberta was active throughout 1979 and proven gas reserves increased substantially. Active drilling in southeastern Alberta was also successful. Six exploratory wells were drilled at Hammerhill, resulting in three gas wells and one oil well — a stepout to a 1978 discovery. Exploratory drilling continued at Crowfoot-Hussar and the 13 wells drilled were successful, yielding four oil and nine gas wells. A total of 18 exploratory wells were drilled along the Countess-Lathom trend, with nine oil and six gas completions. At Alderson, 17 exploration and stepout locations were drilled. Seven wells were completed for oil and six for gas; the majority of these encountered more than one producing zone. All these areas will be investigated further in 1980.

British Columbia

Land holdings in northeastern British Columbia were increased by 70 000 gross acres with the acquisition of 36 parcels at Crown sales. Interpretation of seismic programs completed in the winter of 1978-1979 continued, and led to the drilling of 17 locations of which two were oil and four were gas. At Beatton River, two oil wells were drilled in 1979 and further evaluation of the area is underway.

Frontier

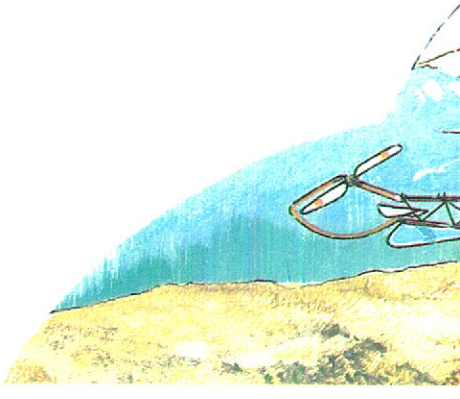
The frontier areas of Canada are also being investigated by PanCanadian for hydrocarbon potential. The Company is participating in the drilling of Aquit et al Hekja O-71, located south of Baffin Island offshore Labrador. The well has encountered a sand section 180 feet in thickness which gives preliminary indications of hydrocarbon accumulation. Continuation of drilling and full testing operations will take place in the 1980 drilling season, and will earn the Company a 7.5% interest in two million permit acres with an option to earn 7.5% in another 1.6 million acres by participating in a second well.

Through Panarctic, PanCanadian also participated in the drilling of Whitefish H-63 from an ice platform offshore Lougheed Island. The well is a major discovery of natural gas. A second location at Whitefish G-63 is currently drilling, and has tested substantial gas flows from additional sands.

United States

Exploration in Texas proved successful. The Company has a 50% interest in an oil discovery in Fisher County. The initial well, Mitchell 1-33 and two follow-up wells have been completed and production has commenced. Drilling will continue to delineate the reservoir. A gas discovery and a follow-up well were drilled in Polk County, where PanCanadian has a 25% interest. Both wells are completed and await production facilities. Another gas discovery in San Jacinto County where PanCanadian has a 50% interest is now on production and a second well is drilling.

Following the Hastings Ranch discovery of 1978 in Solano County, California, two more successful gas wells were drilled and production has started. In Mississippi, the Company



participated for 12½% in an oil well in Wayne County, and another well is planned.

Production and drilling platforms have been installed on Eugene Island Block 43 and High Island Blocks A351-A368 in the Gulf of Mexico. The Eugene Island block is expected to be on production by late 1980 and development drilling has commenced in the High Island unit. Interests of 20% and 33⅓% in two more blocks in the Gulf of Mexico were acquired at the Outer Continental Shelf sale in November. Drilling is expected to commence on one block in 1980.

North Sea

Following the successful bid on Block 13/29 at the Sixth Round of Awards in the United Kingdom, additional seismic was conducted in 1979. A drilling licence has been issued and a well is scheduled to spud in 1980.

Australia

The first exploratory well on block WA-93-P offshore northwestern Australia commenced drilling in May of 1979 but did not indicate the presence of hydrocarbons and was subsequently abandoned. Additional seismic programs to evaluate this block are underway.

China

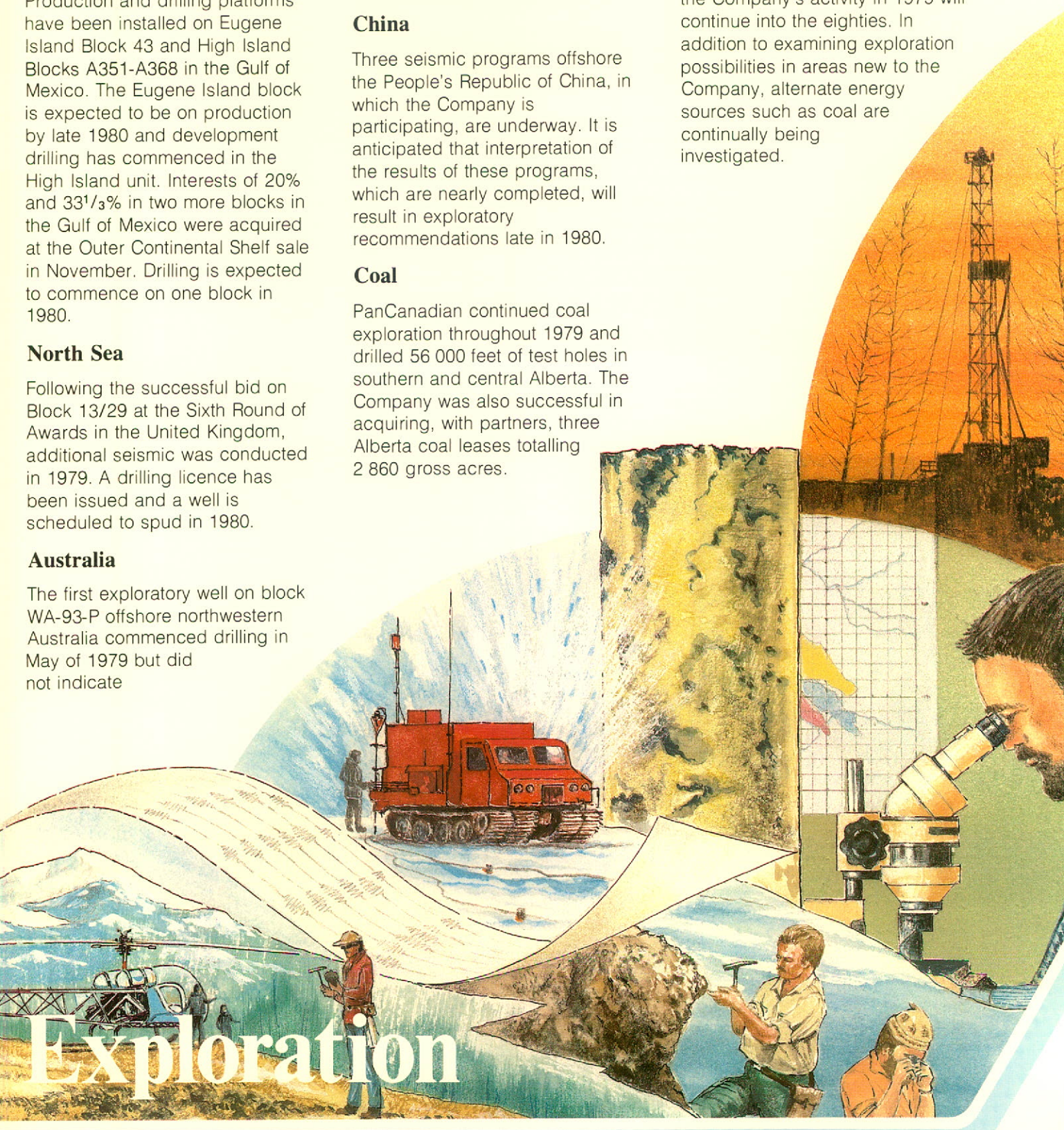
Three seismic programs offshore the People's Republic of China, in which the Company is participating, are underway. It is anticipated that interpretation of the results of these programs, which are nearly completed, will result in exploratory recommendations late in 1980.

Coal

PanCanadian continued coal exploration throughout 1979 and drilled 56 000 feet of test holes in southern and central Alberta. The Company was also successful in acquiring, with partners, three Alberta coal leases totalling 2 860 gross acres.

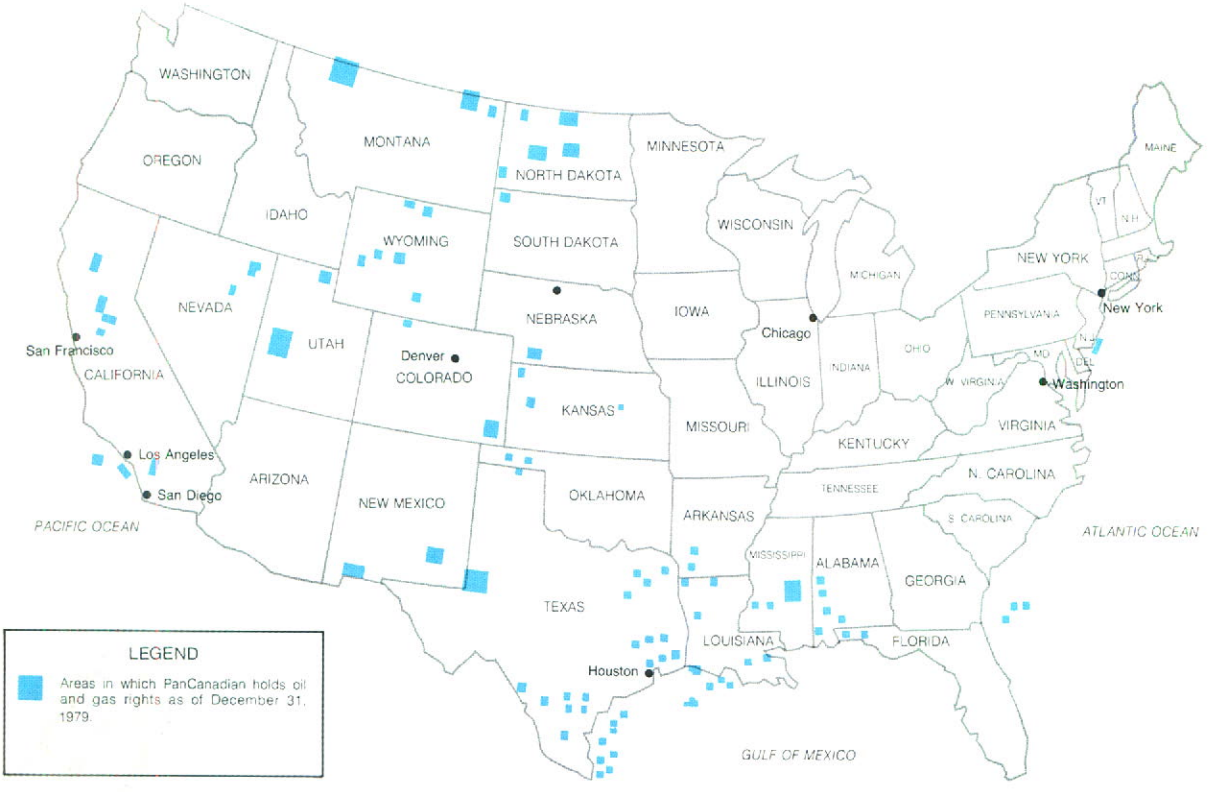
Outlook

The intense exploration and development efforts which typified the Company's activity in 1979 will continue into the eighties. In addition to examining exploration possibilities in areas new to the Company, alternate energy sources such as coal are continually being investigated.

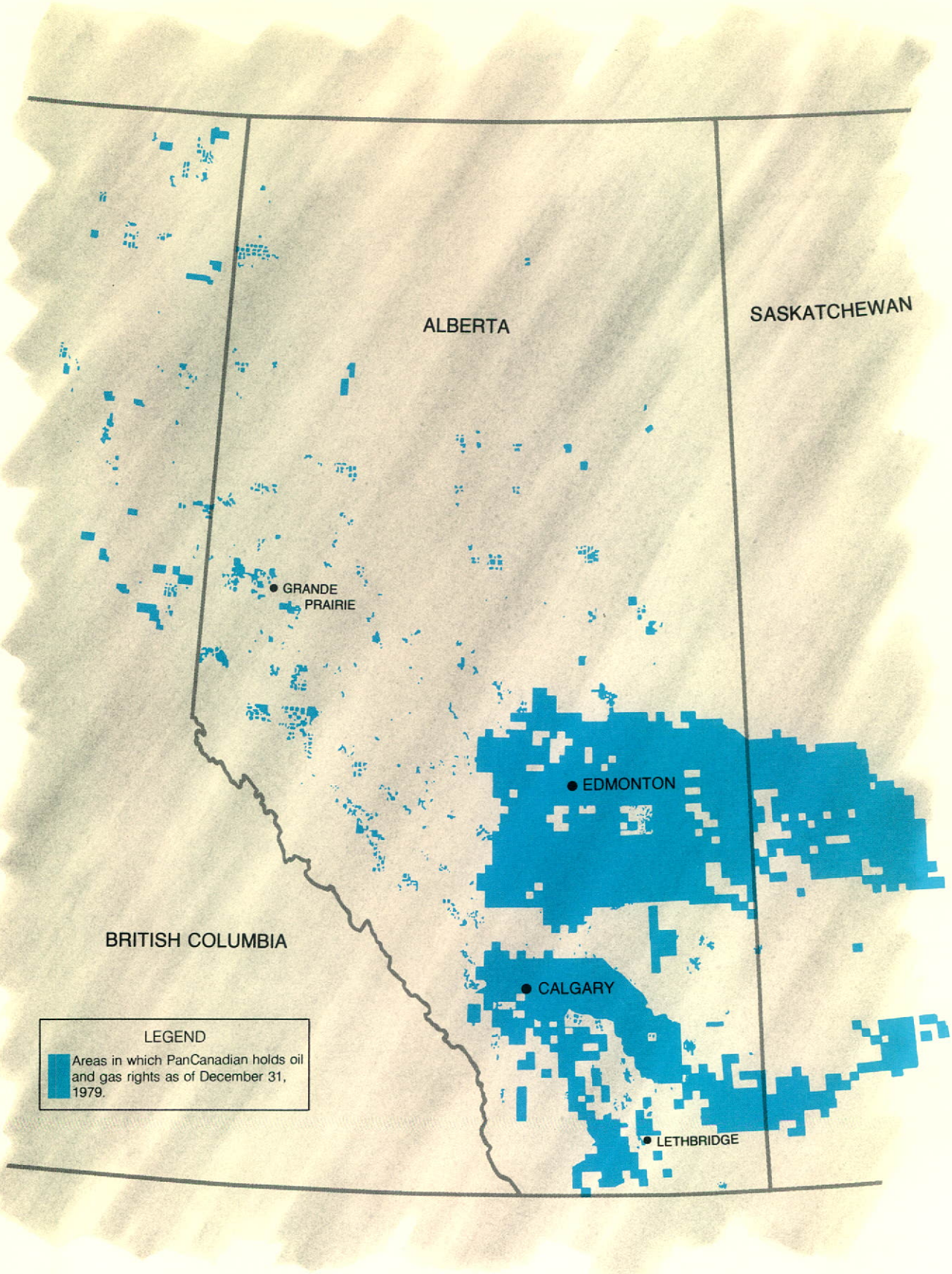


Exploration

	1979						1978	
	Oil	Gas	Abandoned	Facility	Total	Footage	Total	Footage
CANADA								
Exploratory								
Working Interest	66	152	81	—	299	1 432 782	218	1 081 518
Royalty Interest	26	81	60	—	167	636 447	125	494 673
Development								
Working Interest	37	201	13	1	252	685 450	325	790 374
Royalty Interest	59	267	13	2	341	829 685	461	985 100
	188	701	167	3	1 059	3 584 364	1 129	3 351 665
UNITED STATES								
Exploratory								
Working Interest	8	5	26	1	40	429 954	64	624 272
Royalty Interest	2	1	8	—	11	114 383	3	21 382
Development								
Working Interest	—	1	3	—	4	30 715	6	51 151
Royalty Interest	—	1	1	—	2	9 469	—	—
	10	8	38	1	57	584 521	73	696 805
INTERNATIONAL								
Exploratory								
Working Interest	—	—	1	—	1	14 308	3	33 869
TOTAL	198	709	206	4	1 117	4 183 193	1 205	4 082 339



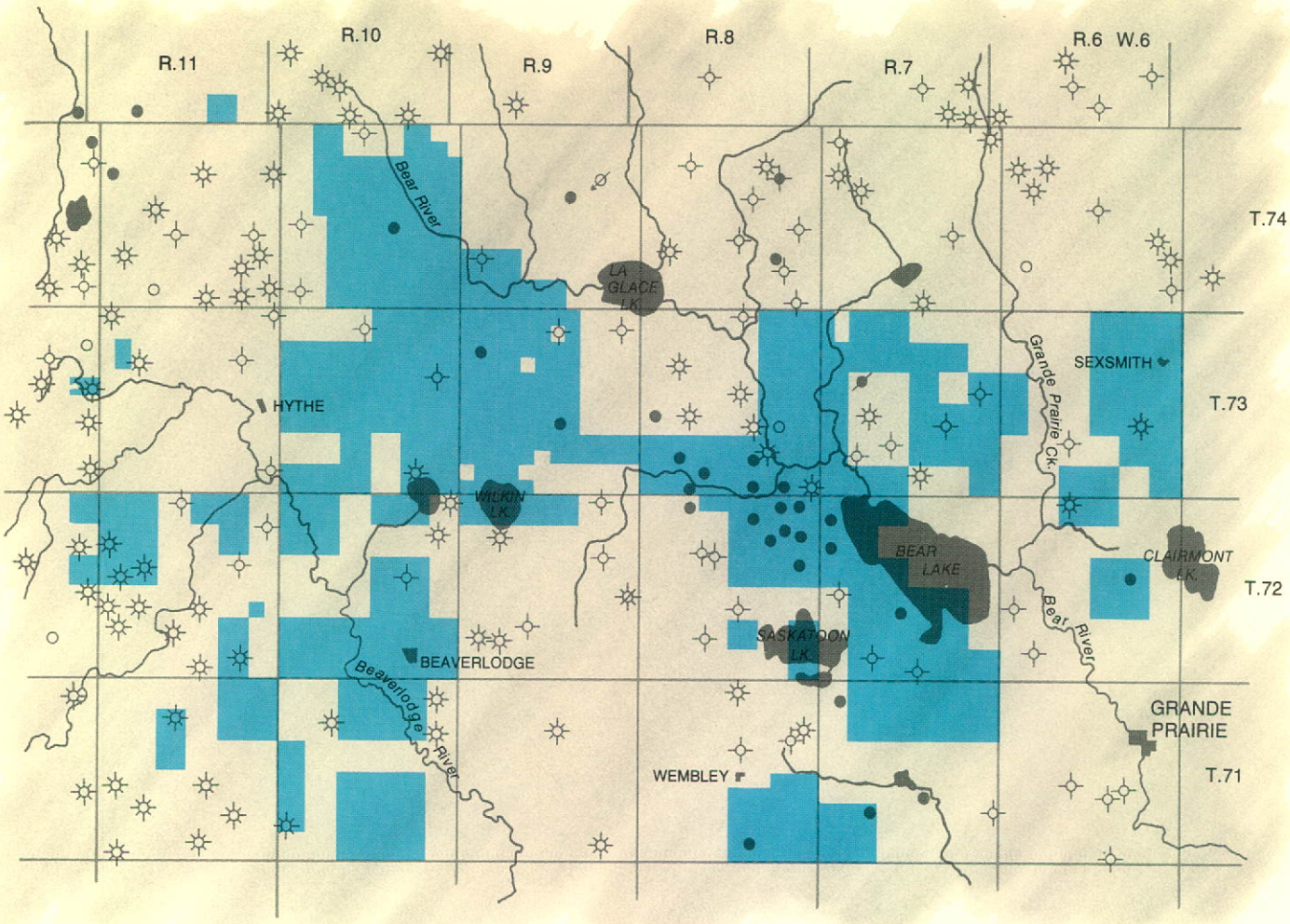
United States


ALBERTA
SASKATCHEWAN
BRITISH COLUMBIA
GRANDE PRAIRIE
EDMONTON
CALGARY
LETHBRIDGE
LEGEND
Areas in which PanCanadian holds oil and gas rights as of December 31, 1979.

	At December 31, 1979		At December 31, 1978	
	Gross Acres	Net Acres	Gross Acres	Net Acres
CANADA				
Alberta	8 076 307	6 336 560	8 091 053	6 298 972
Arctic Islands	796 366	91 557	945 002	105 041
British Columbia	818 262	353 831	765 480	356 506
Manitoba	277 874	268 981	279 524	263 063
New Brunswick	—	—	178 050	48 958
N.W.T. & Yukon	761 489	589 371	906 145	800 315
Quebec	162 770	14 801	208 770	28 601
Saskatchewan	705 107	658 753	705 994	656 087
	11 598 175	8 313 854	12 080 018	8 557 543
UNITED STATES	3 268 566	1 654 734	2 878 235	1 399 390
INTERNATIONAL				
Australia	8 000 000	1 600 000	8 000 000	1 600 000
North Sea (Dutch)	103 537	5 177	103 537	5 177
North Sea (U.K.)	141 616	21 977	87 500	3 938
	8 245 153	1 627 154	8 191 037	1 609 115
TOTAL	23 111 894	11 595 742	23 149 290	11 566 048
Non-working interest acreage under lease or sublease, reserving to PanCanadian, or its subsidiaries, royalties or overriding royalties	—	3 712 302	—	3 792 960

NOTES:
1. Does not include PanCanadian's interest in Panarctic Oils Ltd. or Bituminous Sands Leases.
2. Does not include PanCanadian's interest in Baffin Bay to be earned after drilling is completed.

To Convert From	To	Multiply by
Acre (ac)	hectare (ha)	0.404 686
Foot (ft)	metre (m)	0.304 80
Barrel (bbl)	cubic metre (m^3)	0.158 91
Thousand Cubic Feet (mcf)	cubic metre (m^3)	28.173 99
Long Ton (l.t.)	tonne (t)	1.016 05
Short Ton (s.t.)	tonne (t)	0.907 18



Grande Prairie

LEGEND

Areas in which PanCanadian holds oil and gas rights as of December 31, 1979.

- Oil Well
- Gas Well
- Drilling Location
- Abandoned Well

Natural Gas

Natural gas sales reached an average rate of 289.9 million cubic feet a day in 1979, compared with 275.9 in 1978. Due to market restrictions, however, the Company continued to experience shut-in production capacity. The take-or-pay provisions of gas purchase contracts resulted in payments for 7.4 billion cubic feet, which will be delivered to purchasers at a later date.

The Alderson project, comprising 75 infill wells and 1300 horsepower compression, was completed at the end of the year. Increased production from this area will be realized in 1980. Construction of the Morley sour gas plant is nearing completion and start-up operations are expected shortly.

As a result of an extensive drilling program over the past two years, the Company has successfully negotiated a substantial increase in reserves under an existing gas purchase contract in the Makepeace area, with a corresponding increase in contract quantity of approximately 20 million cubic feet a day. A project is currently underway to tie in 17 gas wells, add compression and enlarge the existing processing plant to handle the increased volume. Higher production from this area should be realized early in 1981.

At Countess and Verger, under firm take-or-pay gas purchase contracts, the Company commenced an extensive drilling program to develop known shallow gas reserves. Production is also scheduled for 1981.

Crude Oil

Net crude oil production averaged 33 900 barrels a day (excluding Syncrude) compared to 29 996 in 1978. Increased production was mainly due to a higher market demand for crude oil. PanCanadian's share of Syncrude production in the last half of the year averaged 2 457 barrels a day.

The capacity of the water injection system in the Countess-Lathom area was increased, but oil production was curtailed during the year due to the hydrogen sulphide content of the associated gas. Construction of the gas sweetening facilities to handle this problem is near completion and production should reach capacity in 1980. In Parflesh, the water injection scheme is complete and a production increase due to waterflood will also be realized in 1980.

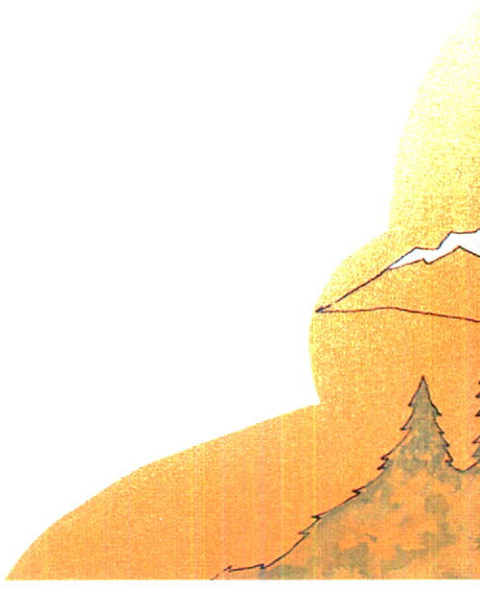
In the Grande Prairie area, nine wells commenced production during the second half of the year and a central battery was built to handle part of this production. New oil wells were also placed on production in the Alderson, Balsam, Hammerhill and Hussar areas. Two oil wells were completed in the West Beatton area of northeastern B.C. and production is scheduled to start in the first half of 1980.

Sulphur

Sales volume averaged 283 long tons a day, compared to 246 long tons a day in 1978. At year end, inventories amounted to 248 000 long tons.

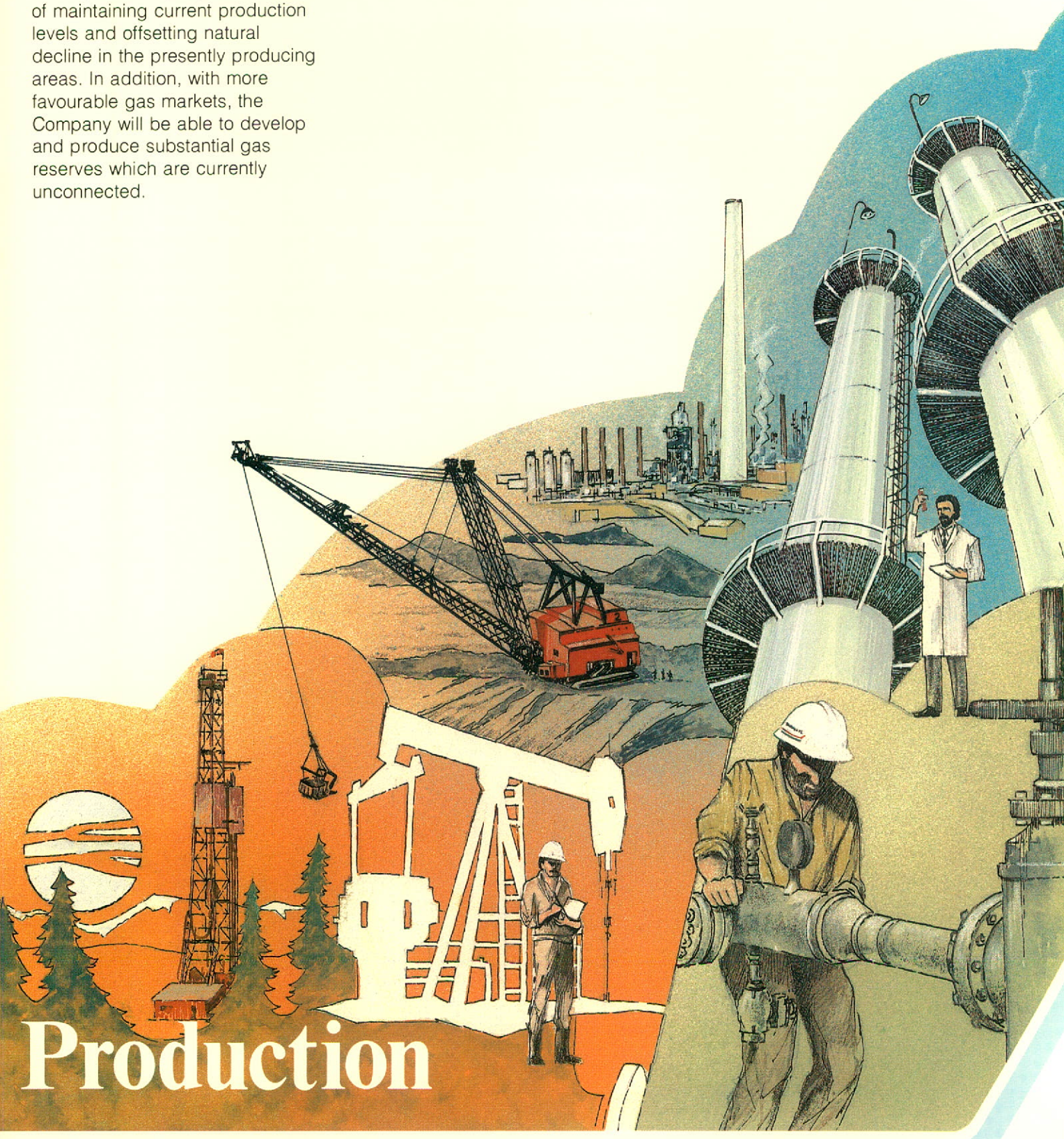
Natural Gas Liquids

Total sales of liquids from the Empress plants increased to 16 465 barrels a day from 14 281 barrels a day in 1978. Ethane sales increased by 16% as a result of recently expanded facilities at the Empress plants. Propane, butane and condensate sales also improved and were 14.3% over 1978 levels. Sales of liquids extracted from Company-produced natural gas decreased to 2 584 barrels a day from 2 704 barrels a day in 1978.



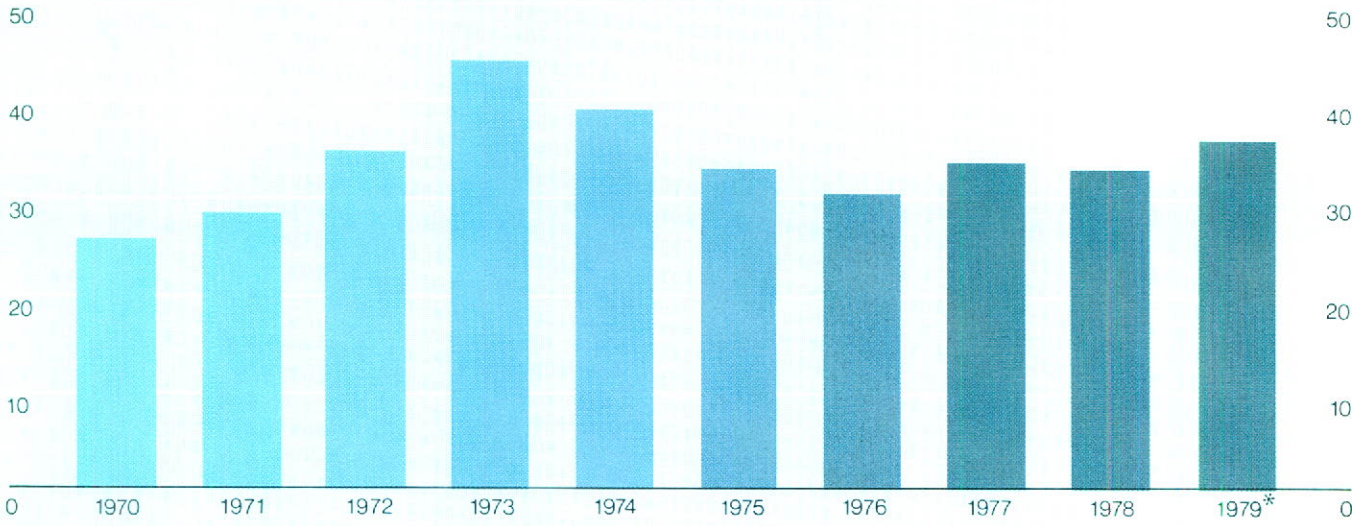
Outlook

With continuous development efforts, the Company is confident of maintaining current production levels and offsetting natural decline in the presently producing areas. In addition, with more favourable gas markets, the Company will be able to develop and produce substantial gas reserves which are currently unconnected.



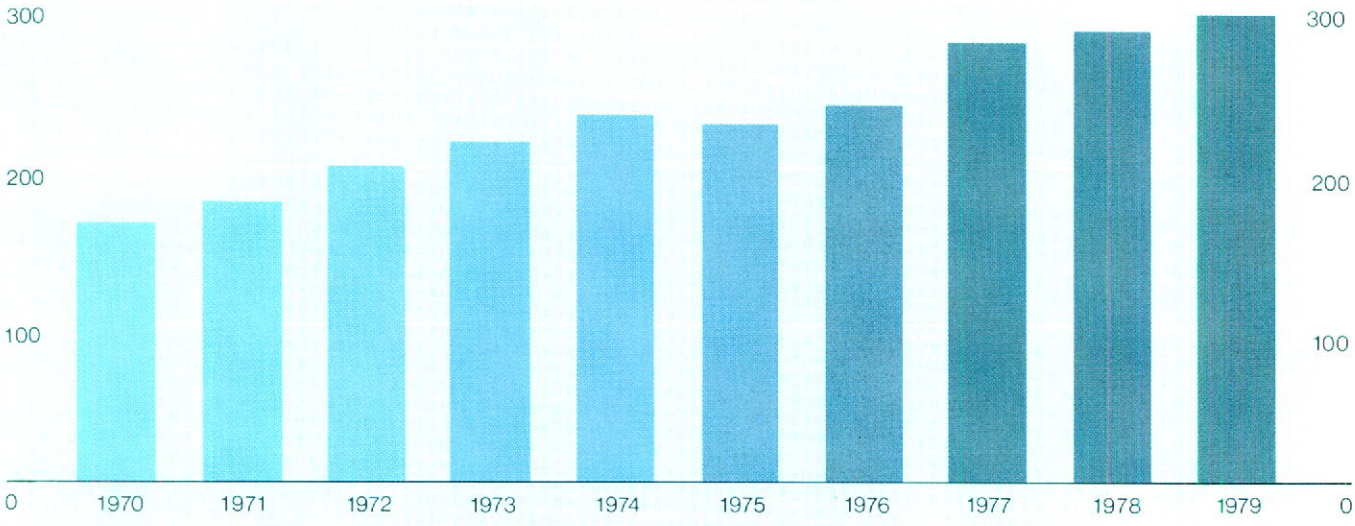
Production

daily average thousand barrels



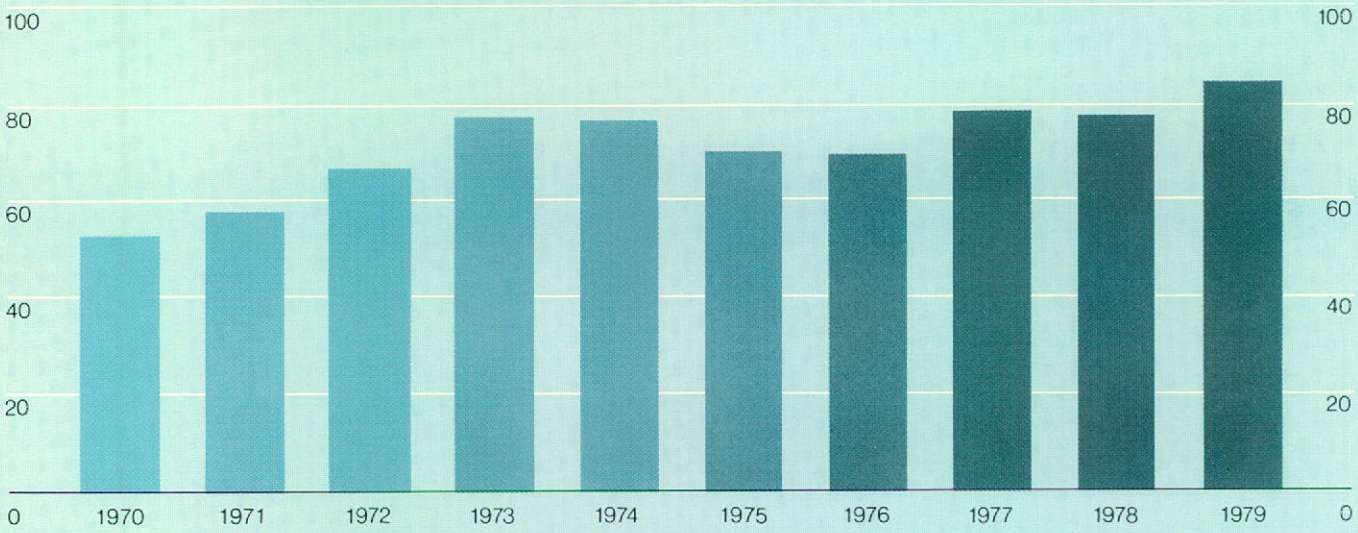
* *excludes Syncrude*

daily average million cubic feet



Total Production

daily average thousand BOE



Ten Year Statistical Review
Combined Production

After Royalty

Year	Crude Oil thousand barrels	Natural Gas Liquids thousand barrels	Crude Oil and NGL thousand barrels	Natural Gas million cubic feet	Natural Gas thousand BOE	Total Production thousand BOE	Daily Average BOE
1970	8 904	800	9 704	59 048	9 841	19 545	53 548
1971	9 427	987	10 414	65 452	10 909	21 323	58 419
1972	11 381	1 061	12 442	73 025	12 171	24 613	67 249
1973	14 810	1 076	15 886	76 727	12 788	28 674	78 559
1974	13 289	1 046	14 335	82 594	13 766	28 101	76 989
1975	11 199	1 046	12 245	81 622	13 604	25 849	70 819
1976	10 141	984	11 125	84 799	14 133	25 258	69 011
1977	11 398	952	12 350	99 658	16 610	28 960	79 343
1978	10 949	987	11 936	100 689	16 782	28 718	78 680
1979	12 373	943	13 316	105 797	17 633	30 949	84 792
Decade Total	113 871	9 882	123 753	829 411	138 237	261 990	

NOTES:

1. Does not include Syncrude or Marguerite Lake.
2. Six thousand cubic feet of gas equals one barrel of oil equivalent (BOE).

PanCanadian is looking forward to doing its part in the energy challenges that face the industry in the next decade. In addition to an aggressive exploration program, there are several ways in which the Company is helping to meet the challenge, and they are illustrated here.

Tar Sands

PanCanadian is a participant in the production of synthetic crude oil through its interest in Syncrude. This project will eventually contribute approximately 125 000 barrels a day to Canadian oil supplies. When the plant has completed a sustained period of successful operations, plans for expansion in the eighties will be considered.

The acquisition of a 5% interest in a further six Athabasca Bituminous Sands Leases totalling 180 000 gross acres near Fort McMurray will provide the Company with further opportunities for tar sands operations.

Marguerite Lake

At Marguerite Lake, in the Cold Lake area of Alberta, the Company is participating in a pilot program to determine the feasibility of recovering heavy oil. Experimental work and technical analysis must be done in the early eighties to determine viable methods of commercially producing these oil reserves.

Enhanced Recovery

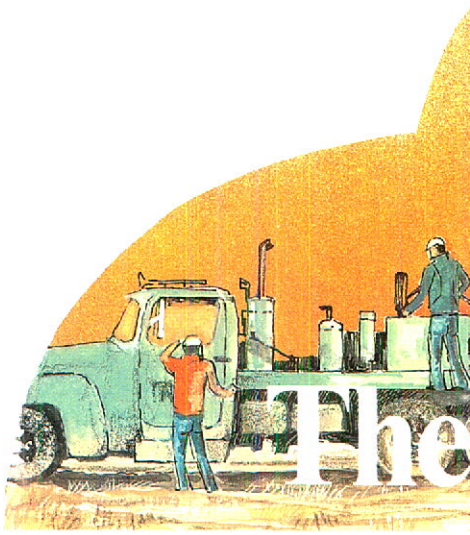
The Weyburn and Countess fields, the Company's largest oil producing properties, are currently being produced under secondary recovery methods. The challenge of the eighties is to apply new technology in tertiary recovery methods to increase recoverable reserves.

Coal

The Company is continuing its grass-roots exploration for coal reserves in Western Canada. In the eighties it is likely that projects such as coal gasification, previously considered uneconomic, will be re-examined. In the next several decades, coal will play an important part in the transition from an oil based economy to more advanced technologies for producing energy.

Panarctic

PanCanadian has invested in Panarctic Oils Ltd. and through its participation is helping search for new reserves in the Arctic Islands. The challenge here lies in finding ways to move gas out of the Arctic, especially from the Sverdrup Basin in the central Arctic Islands.



Our People

None of the exciting and challenging projects in which the Company is involved would be possible without our competent and energetic employees. PanCanadian had a staff of 374 at the start of the seventies. With a staff of 952 at the end of 1979, PanCanadian looks forward to helping meet future energy needs through increased production and alternate energy sources.

Challenge of the Eighties

PanCanadian witnessed outstanding growth over the past decade. In terms of reserves, the Company started the decade with an inventory of 428 million barrels of oil equivalent (BOE), excluding sulphur and coal. By the end of the decade, in terms of barrels of oil equivalent, the Company's remaining reserves amounted to a total of 674 million, a net growth of 246 million or 57% (excluding Panarctic and Syncrude). Production throughout the decade totalled 262 million BOE. Total reserves additions of 508 million BOE during the seventies are equivalent to a replacement ratio of 1.94. At 1979 production levels, the constant rate reserve life index is 22 years.

During the seventies, reserves additions as well as the acquisition of an interest in the Syncrude project replaced production of crude oil and natural gas liquids. However, natural gas reserves experienced a dramatic increase. Starting the decade with 1 428 billion cubic feet (bcf) and producing a total of 829 bcf, the Company's decade-end reserves amounted to 3 174 bcf. This represents total reserves additions of 2 575 bcf or a replacement ratio of 3.1.

At the end of 1979, the Company's total reserves of 674 million BOE were 13% higher than the 1978 total of 594 million BOE.

	Marketable Natural Gas billion cubic feet	Crude Oil and Natural Gas Liquids thousand barrels	Sulphur thousand long tons	Coal million short tons	Synthetic Oil thousand barrels
Remaining Reserves at January 1, 1979	2 937	164 127	3 027	1 754	57 000
Reserves Added (Subtracted)	602	14 044	26	100	(11 400)
Production	113	15 142	98	—	721
Remaining Reserves at December 31, 1979 (before Royalty)	3 426	163 029	2 955	1 854	44 879
Royalty Deductions	252	18 283	37	12	
Remaining Reserves at December 31, 1979 (after Royalty)	3 174	144 746	2 918	1 842	
Remaining Proven Reserves at December 31, 1979					
Before Royalty	2 356	122 196	2 221	859	44 879
After Royalty	2 164	106 026	2 190	852	
Probable Reserves at December 31, 1979					
Before Royalty	1 070	40 833	734	995	
After Royalty	1 010	38 720	728	990	

NOTES:

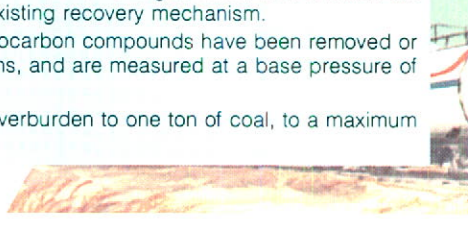
1. Does not include the Company's interest in Panarctic Oils Ltd. or Minerals Ltd.
2. Does not include sulphur from the Syncrude project.
3. Does not include Marguerite Lake.

Proven reserves are those quantities of crude oil, natural gas, natural gas liquids and sulphur which analysis of geological and engineering data demonstrates with reasonable certainty to be recoverable from known oil or gas fields under existing economic and operating conditions.

Probable reserves are those additional quantities estimated to be commercially recoverable from known oil and gas fields, as a result of the effects of the future installation of secondary recovery methods or future improvements in the existing recovery mechanism.

Marketable natural gas reserves comprise gases from which certain hydrocarbon and non-hydrocarbon compounds have been removed or partially removed by processing where necessary to meet pipeline or other market specifications, and are measured at a base pressure of 14.65 psia and base temperature of 60°F.

Surface recoverable coal reserves include coal to a maximum strip ratio of 15 cubic yards of overburden to one ton of coal, to a maximum depth of 150 feet.



Natural Gas

Remaining proven and probable reserves before royalty were 3 426 billion cubic feet (bcf), an increase of 489 bcf over 1978 reserves. At 1979 production levels, these provide a constant rate reserve life index of 30 years. Exploration and development drilling — mainly at Hoadley, Grande Prairie, Wilson Creek and Crowfoot-Hussar — added 645 bcf, offset by engineering reviews of 43 bcf and production of 113 bcf.

Crude Oil and Natural Gas Liquids

Remaining proven and probable reserves before royalty were 163 million barrels, 1.1 million barrels less than the previous year. At 1979 production levels, these provide a constant rate reserve life index of 11 years. Exploration and development drilling — mainly at Countess, Grande Prairie and Lathom — added 9.3 million barrels, while engineering reviews added 4.7 million barrels. This was offset by production of 15.1 million barrels.

Synthetic Oil

PanCanadian's share in the remaining reserves of the Syncrude project decreased by 12.1 million barrels to a total of 44.9 million barrels. This decrease was due to the Company's interest being reduced from 5% to 4% and production of 0.7 million barrels.

Sulphur

The remaining proven and probable reserves before royalty declined by 72 thousand long tons from the previous year. This reduction is due to the production of 98 thousand long tons, offset by an increase of 26 thousand long tons due to engineering reviews.

Coal

Proven and probable reserves before royalty were 1 854 million short tons, an increase of 100 million short tons over 1978. Of this total, surface and underground reserves were 936 and 918 million short tons, respectively.

Outlook

Primary and secondary recovery mechanisms used in the past to produce reserves are giving way to significant advances in tertiary recovery, well stimulation and completion techniques. The effective application of these technologies in the Company's properties and an active exploration program are the keys to successfully increasing the Company's reserves in the eighties.

Reserves

Earnings

Net income for PanCanadian in 1979 was $165.8 million, an increase of 6% over the restated earnings of $155.9 million for 1978. Net income per share rose to $5.31 from $4.99 in 1978 (restated).

Revenues

In 1979, total revenues amounted to $423.9 million compared to $333.8 million in 1978. The increase of 27% resulted from a combination of higher prices and increased production.

Revenue from oil sales increased by $41.9 million or 34% from last year including $11.4 million from synthetic oil. The average price received for conventional crude oil was $12.57 a barrel compared to $11.42 the previous year. An increase of $1.00 a barrel was effective July 1, 1979. Synthetic oil sold in the last six months of 1979 averaged $25.24 a barrel.

Revenue from natural gas sales rose to $171.9 million, compared to $146.4 million in 1978. The 17% increase resulted from an increase in price and nominations by purchasers. The average price received for natural gas was $1.62 a thousand cubic feet compared with $1.45 in 1978. A domestic price increase of 15¢ a thousand cubic feet at the Toronto City Gate was effective August 1, 1979. As a result of take-or-pay provisions in gas purchase contracts the Company received $10 million for 1979 which has been recorded as deferred production income. Such amounts will be taken into income when actual gas production takes place.

Revenues from the Empress extraction plant and related operations increased by $19.2 million or 48% over 1978 levels primarily due to price increases caused by improved LPG market conditions. Revenues from liquids extracted from Company-produced natural gas were $10.5 million in 1979 compared to $9.8 million in 1978. The average price of natural gas liquids increased to $11.13 a barrel compared with $9.91 in 1978.

Revenue from sulphur sales increased to $2.3 million in 1979 compared to $1.5 million in 1978, reflecting the continued strengthening of world markets. Sulphur prices averaged $22.36 a long ton in 1979, an increase of $6.13 over 1978 levels.

Expenses

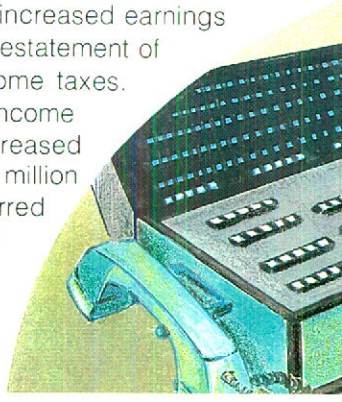
Total expenses before income taxes were $183.7 million in 1979, 43% higher than 1978. The increase in operating expenses was attributable in part to the operation of the Syncrude plant, increased maintenance expenses on producing properties, and the cost of gas associated with the Empress Plant. Administrative expenses rose 17% primarily due to increased salaries, employee benefits and additional staff. Interest expenses increased substantially as a result of long-term debt obligations incurred in the financing of PanCanadian's Syncrude acquisition.

Income Taxes

In March 1979, the 1978 Income Tax Regulations were retroactively amended providing for accelerated deductions of earned depletion. This amendment resulted in a reduction of $12.4 million in the provision for income taxes and a restatement of 1978 earnings. 1978 income taxes decreased from $62.2 million as previously reported to $49.8 million.

1979 income taxes increased by $24.6 million to $74.4 million as a result of increased earnings and the restatement of 1978 income taxes. Current income taxes increased by $13.8 million and deferred by $10.8 million.

	1979		1978		% Increase (Decrease) From 1978
	Amount	%	Amount	%	
	(thousands of dollars)				
Natural Gas	$171 927	40.6	$146 408	43.9	17.4
Crude Oil	166 944	39.4	124 996	37.5	33.6
Empress Plant Natural Gas Liquids Sales	59 366	14.0	40 136	12.0	47.9
Natural Gas Liquids	10 495	2.5	9 777	2.9	7.3
Sulphur	2 309	0.5	1 455	0.4	58.7
Lease Rentals	1 672	0.4	1 806	0.5	(7.4)
Miscellaneous	11 192	2.6	9 184	2.8	21.9
	$423 905	100.0	$333 762	100.0	27.0



Dividends

Dividends totalled $54.6 million ($1.75 per share) in 1979 compared to $35.6 million ($1.14 per share) the previous year. Semi-annual payments of $0.70 and $1.05 per share were made in June and December, respectively. Commencing in 1980, dividends will be declared on a quarterly basis.

Capital Expenditures

During 1979 capital expenditures amounted to $215.2 million of which $176.3 or 82% was expended on domestic operations and 18% on U.S. and other foreign operations.

Land, exploration, drilling and Panarctic accounted for $168.5 million of the total expenditures, an increase of 13% over 1978. Capital expenditures on plant, production and other equipment increased 47% to $46.7 million (excluding the acquisition of an interest in the Syncrude project).

Financial Position

At December 31, 1979, working capital was $38.1 million compared to $72.4 million at the end of 1978. Funds from operations totalled $268.1 million ($8.59 per share) representing an increase of 15% from $233.8 million ($7.49 per share) in 1978. Negotiations were successfully concluded and the sale of ammonia plant equipment to Fertilizers of Trinidad and Tobago Ltd. for $30.1 million was completed in April 1979. PanCanadian also received $27.5 million when on August 30, 1979 the Alberta Energy Company Ltd. exercised its option to acquire a 20% interest in the Syncrude project. As a result, PanCanadian's interest in Syncrude was reduced from 5% to 4%.

Total deferred production income resulting from the take-or-pay provisions of gas purchase contracts now amounts to $16.2 million. These funds will be taken into income when actual production of the gas takes place.

Funds generated from operations and other sources were more than adequate to satisfy capital expenditures, dividends and other applications of funds without requiring additional debt financing.

Financial

Auditors' Report

To the Shareholders of
PanCanadian Petroleum Limited:

We have examined the consolidated balance sheet of PanCanadian Petroleum Limited as at December 31, 1979 and the consolidated statements of income and retained income and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
February 15, 1980

PRICE WATERHOUSE & CO.
Chartered Accountants

PanCanadian Petroleum Limited

Consolidated Statement of Income and Retained Income

For the Year Ended December 31

	1979	1978 (Restated Note 7)
	(thousands of dollars)	
Income:		
Operating revenue	$412 713	$324 578
Interest income from affiliated company (Note 2)	6 539	5 313
Miscellaneous	4 653	3 871
	423 905	333 762
Expenses:		
Operating	86 098	63 708
Administrative	13 353	11 428
Interest on long-term debt	30 239	12 260
Depreciation and amortization	16 887	11 695
Depletion	37 143	29 054
	183 720	128 145
Income before income taxes	240 185	205 617
Provision for income taxes:		
Current	26 578	12 764
Deferred	47 777	36 970
	74 355	49 734
Net income for the year	165 830	155 883
Retained income at beginning of year, as previously reported	365 332	257 459
Prior period adjustment (Note 7)	12 427	—
	377 759	257 459
	543 589	413 342
Dividends - $1.75 per share (1978 - $1.14)	54 632	35 583
Retained income at end of year	$488 957	$377 759
Earnings per share	$5.31	$4.99

Consolidated Balance Sheet

December 31

		(Restated Note 7)
	(thousands of dollars)	
Current assets:		
Cash	$ 2 259	$ 323
Deposits with affiliated company (Note 2)	37 902	57 604
Accounts receivable	93 228	68 747
Income taxes recoverable	—	22 418
Inventories, at average cost —		
Products	6 995	6 553
Materials	3 185	2 889
	143 569	158 534
Property, plant and equipment, at cost:		
Petroleum, natural gas and mineral properties	846 268	678 526
Less: Accumulated depletion	(209 116)	(171 450)
Plant, production and other equipment (Note 4)	204 754	204 688
Less: Accumulated depreciation and amortization	(81 518)	(70 696)
Syncrude Project (Note 3)	148 571	163 046
Less: Accumulated depletion and depreciation	(2 713)	—
	906 246	804 114
Investments, at cost:		
Panarctic Oils Ltd.	22 092	20 728
Other	599	607
	22 691	21 335
Other assets:		
Long-term notes receivable (Note 4)	33 575	—
Drilling, reservation and other deposits	211	758
Unamortized debenture discount and issue expenses	1 151	1 341
Unamortized gas processing contracts	9 867	10 185
	44 804	12 284
	$1 117 310	$996 267

LIABILITIES AND SHAREHOLDERS' EQUITY	1979	1978 (Restated Note 7)
	(thousands of dollars)	
Current liabilities:		
Accounts payable and accrued liabilities	$ 88 559	$ 79 113
Income taxes payable	10 220	—
Current portion of long-term debt	6 740	7 028
	105 519	86 141
Long-term debt (Note 5)	204 390	271 855
Deferred credits:		
Deferred production income	16 233	6 240
Deferred rentals	237	346
Deferred income taxes	228 921	181 144
	245 391	187 730
Shareholders' equity: (Note 6)		
Capital stock —		
Authorized —		
50 000 000 shares of $1 par value		
Issued —		
31 224 979 shares	31 225	31 220
Paid in surplus	41 828	41 562
Retained income	488 957	377 759
	562 010	450 541
	$1 117 310	$996 267

APPROVED BY THE BOARD:

Director

Director

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31

		(Restated Note 7)
	(thousands of dollars)	
Source of working capital:		
Net income for the year	$165 830	$155 883
Expenses not requiring a current outlay of funds —		
Depreciation	16 887	11 695
Depletion	37 143	29 054
Deferred income taxes	47 777	36 970
Other	470	195
Funds from operations	268 107	233 797
Long-term bank loan	—	160 000
Proceeds on sale of ammonia plant project (Note 4)	30 129	—
Proceeds from issue of capital stock (Note 6)	271	—
Proceeds from sale of portion of interest in Syncrude Project (Note 3)	27 474	—
Deferred production income	9 993	6 240
Other	800	—
	336 774	400 037
Application of working capital:		
Petroleum, natural gas and mineral properties	167 137	148 078
Plant, production and other equipment	33 595	28 657
Syncrude Project	13 095	163 046
	213 827	339 781
Investment in Panarctic Oils Ltd.	1 364	1 536
Long-term notes receivable (Note 4)	33 575	—
Reduction of long-term debt	67 465	7 777
Dividends	54 632	35 583
Other	254	783
	371 117	385 460
Increase (decrease) in working capital	(34 343)	14 577
Working capital at beginning of year	72 393	57 816
Working capital at end of year	$ 38 050	$ 72 393

Notes to Consolidated Financial Statements

December 31, 1979

NOTE 1 — ACCOUNTING POLICIES:

The consolidated financial statements include the accounts of PanCanadian Petroleum Limited and its subsidiaries, all of which are wholly-owned.

Foreign currency balances included in the consolidated financial statements have been expressed in Canadian dollars on the following basis:

Current assets and liabilities — at the rate of exchange December 31, 1979

Other assets and liabilities — at historical rates of exchange

Income and expenses — at monthly rates of exchange except provisions for depreciation and amortization which are translated on the same basis as the related assets

The Company follows the full cost method of accounting for oil and gas properties whereby all costs relating to the exploration and the development of oil and gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenditures, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells and overhead expenses related to exploration activities. These costs are depleted by the unit of production method based on estimated proven oil and gas reserves.

Depreciation is being provided at rates which will amortize original costs over the estimated useful lives of the respective assets. The diminishing balance method is applied to all plant, production and other equipment at rates varying from 5% to 20%, except for the Empress gas processing facility and the Syncrude Project which are depreciated on the straight-line basis at 4% per annum.

Unamortized debenture discount and issue expenses are being charged to income on a straight-line basis over the terms of the debenture issues.

Unamortized gas processing contracts are being charged to income on a straight-line basis over the life of the contracts.

Pursuant to take-or-pay provisions included in certain gas purchase contracts, $16 233 000 has been received for gas to be delivered at future dates. The Company records these payments as deferred production income and takes them into income when the gas is delivered or the contracts expire, whichever first occurs.

The Company follows the allocation method of accounting for income taxes.

NOTE 2 — DEPOSITS WITH AFFILIATED COMPANY:

Substantially all of the Company's funds which were surplus to its day to day requirements were invested in deposits of Canadian Pacific Limited. These deposits carry interest at rates at least equal to the interest rates paid from time to time by a leading Canadian Chartered bank on equivalent deposits.

NOTE 3 — SYNCRUDE PROJECT:

The Syncrude Project was considered to be in the preproduction stage until June 30, 1979 and all expenditures net of revenue since the date of acquisition were capitalized as part of the cost of the project. On July 1, 1979 the operation was deemed to have commenced commercial production and accordingly all revenue and expenses since this date were reflected in the income statement.

On August 30, 1979 Alberta Energy Company Ltd. exercised its option to acquire a 20% interest in the Syncrude Project from the existing participants effective March 1, 1979, resulting in a reduction in the Company's interest in the project from 5% to 4%.

NOTE 4 — AMMONIA PLANT PROJECT:

During 1979 negotiations were successfully completed for the sale of the Company's investment in an ammonia plant project which resulted in the recovery of the Company's net investment in the project. Under the terms of the sales agreement, the Company received guaranteed notes which are payable, together with interest accrued thereon at the rate of $9^5/_8$% from April 1, 1979 to December 31, 1980, in four equal annual installments commencing December 31, 1986. Interest after December 31, 1980 accrues at $10^7/_8$% and will be paid semi-annually commencing June 30, 1981.

NOTE 5 — LONG-TERM DEBT:

Details of long-term debt outstanding at December 31, 1979 and 1978 are set forth hereunder:

	(thousands of dollars)	
Bank loans due 1980 - 1988	**$129 355**	$195 883
$8^1/_8$% secured debentures due March 1, 1992, sinking fund payments 1980 - 1991, secured by a first mortgage upon certain producing properties	**22 775**	23 500
$8^3/_4$% secured debentures due November 1, 1992, sinking fund payments 1980 - 1991, secured by a first mortgage upon certain producing properties	**24 000**	24 500
$9^3/_4$% unsecured debentures due November 15, 1983	**35 000**	35 000
	211 130	278 883
Less: Current portion	**6 740**	7 028
	$204 390	$271 855

The bank loans bear interest at rates which fluctuate (in certain cases within defined limits) with the lender's prime commercial rate.

The Company has agreed that, without the consent of the bankers, the assets of the Company and its subsidiaries will not be encumbered nor will any debt be created that would rank prior to or pari passu with the bank loans.

With regard to the $35 000 000 9¾% unsecured debentures, the Company has agreed that it and its subsidiaries will not create any mortgages or other charge on their assets to secure a loan or other indebtedness in the form of bonds or other indebtedness which at the time of issue are intended to be traded on any stock exchange or publicly traded in the over-the-counter market in any part of the world unless the debentures then outstanding are similarly secured.

The annual maturities for long-term debt for each of the five years ending December 31, are as follows:

	(thousands of dollars)
1980 —	$ 6 740
1981 —	27 965
1982 —	23 965
1983 —	70 085
1984 —	21 375

NOTE 6 — CAPITAL STOCK AND PAID IN SURPLUS:

During 1979 the Company issued 5 445 shares pursuant to an executive incentive performance plan for a cash consideration of $271 000 of which $5 000 was credited to capital stock, with the balance being credited to paid in surplus.

NOTE 7 — PRIOR PERIOD ADJUSTMENT:

In March 1979 the 1978 Income Tax Regulations were retroactively amended providing for accelerated deductions of earned depletion. This amendment resulted in a reduction of $12 427 000 in the provision for income taxes (current — $10 537 000; deferred — $1 890 000) and a corresponding increase in the 1978 net income. The 1978 financial statements have been restated to reflect this adjustment.

NOTE 8 — OFFICERS' AND DIRECTORS' REMUNERATION:

During 1979 there were fifteen directors (including three directors who retired during the year) and fifteen officers of whom three were also directors.

Officers' remuneration and directors' fees for 1979 amounted to $957 000 and $79 000 respectively (1978 - $1 290 000 and $41 000) none of which was paid by subsidiaries.

Ten Year Statistical Review

(Dollar amounts in thousands except per share figures)

		(Restated)
Gross Income	$423 905	$333 762
Funds from Operations	268 107	233 797
Per Share	8.59	7.49
Net Income	165 830	155 883
Per Share	5.31	4.99
Working Capital (Deficiency)	38 050	72 393
Property, Plant & Equipment — Net	906 246	804 114
Investments & Other Assets	67 495	33 619
Long-Term Debt	204 390	271 855
Deferred Income Taxes	228 921	181 144
Exploration	153 892	131 878
Development	13 245	16 200
Production Facilities & Equipment	33 595	28 657
Syncrude Project	13 095	163 046
Investment in Panarctic Oils Ltd.	1 364	1 536
Natural Gas (billion cubic feet)	3 174	2 683
Crude Oil & Natural Gas Liquids (thousand barrels)	144 746	146 336
Synthetic Oil (thousand barrels)	44 879	57 000
Sulphur (thousand long tons)	2 918	2 990
Coal (million short tons)	1 842	1 748
Natural Gas Sales (thousand cubic feet per day)	289 855	275 861
Crude Oil & Natural Gas Liquids Production (barrels per day)	36 484	32 700
Synthetic Oil (barrels per day)	1 238	—
Empress Plant Natural Gas Liquids Sales (barrels per day)	16 465	14 281
Sulphur Sales (long tons per day)	283	246
Gross (thousand acres)	23 112	23 149
Net (thousand acres)	11 596	11 566
Number of Shares Outstanding	31 224 979	31 219 534
Number of Shareholders	4 767	5 119
Dividends	54 632	35 583
Per Share	1.75	1.14
Market Price Per Share — High	$67\frac{1}{2}$	$38\frac{3}{4}$
— Low	$38\frac{1}{4}$	$30\frac{3}{4}$

Valuation Day (December 22, 1971) Share Price $15\frac{1}{4}$

1977	1976	1975	1974	1973	1972	1971	1970
$301 346	$206 941	$159 590	$130 572	$ 75 374	$ 47 271	$ 39 432	$ 34 928
186 096	134 440	99 756	74 557	49 872	34 965	30 598	27 143
5.96	4.31	3.20	2.39	1.60	1.12	1.00	0.89
126 546	85 033	68.663	46 243	21 300	12 544	12 197	10 835
4.05	2.72	2.20	1.48	0.68	0.40	0.39	0.36
57 816	25 327	(9 625)	11 748	10 900	29 896	(1 794)	(3 449)
504 765	428 327	342 957	278 626	249 356	203 112	186 766	160 482
31 955	29 328	25 996	23 696	22 242	9 058	6 863	5 081
119 632	130 447	81 429	89 946	93 468	71 979	32 706	22 765
144 174	118 723	101 302	89 317	81 367	71 086	62 689	54 856
74 645	57 032	30 980	30 285	22 934	22 756	19 349	18 262
18 941	14 923	13 622	9 675	4 385	1 985	1 129	844
16 444	45 081	38 510	9 356	4 695	5 597	4 373	3 297
—	—	—	—	—	—	—	—
3 014	2 876	3 155	1 764	1 705	1 812	1 573	1 451
2 448	2 366	2 384	2 298	2 225	1 627	1 627	1 637
152 963	165 851	185 945	194 493	206 755	215 947	218 213	203 647
—	—	—	—	—	—	—	—
3 436	3 773	4 756	4 076	3 573	3 871	3 960	5 011
1.490	860	485	—	—	—	—	—
273 036	231 691	223 623	226 285	210 210	199 522	179 320	161 775
33 834	30 395	33 546	39 273	43 521	33 995	28 530	26 586
—	—	—	—	—	—	—	—
12 163	9 980	9 363	11 979	7 065	—	—	—
230	143	139	218	219	154	192	172
28 905	30 256	31 793	39 686	45 671	20 037	18 697	23 217
13 362	13 059	15 311	16 426	19 705	14 798	14 930	16 768
31 219 534	31 219 534	31 219 534	31 219 534	31 214 990	31 205 985	31 197 972	30 456 478
5 363	5 905	7 170	7 492	7 840	7 881	8 010	8 374
29 653	27 784	26 847	19 355	12 795	9 982	9 560	8 830
0.95	0.89	0.86	0.62	0.41	0.32	0.31	0.29
36	$25\frac{3}{4}$	$17\frac{1}{4}$	14	$18\frac{1}{2}$	$17\frac{3}{8}$	$17\frac{3}{4}$	$15\frac{3}{4}$
$23\frac{3}{4}$	$15\frac{7}{8}$	$7\frac{5}{8}$	$7\frac{1}{8}$	$11\frac{3}{8}$	13	12	7.70

Subsidiary and Affiliate Companies

Wholly Owned	Blackfoot Pipelines Ltd.
	Canadian Pacific Oil and Gas of Canada Limited
	Canadian Pacific Oil and Gas Nederland B.V.
	Canadian Pacific Oil and Gas Norway A/S
	Canadian Persian Oil Limited
	PanCanadian Gas Products Ltd.
	PanCanadian Petroleum Company
	PanCanadian Petroleum (U.K.) Limited
	PanCanadian Kerrobert Pipeline Ltd.
	PanCanadian Petroleum Denmark A/S
Other	Minerals Ltd. — 50%
	Panarctic Oils Ltd. — 8.71%

In April, each year, PanCanadian Petroleum Limited publishes a supplementary report entitled "Financial and Operating Information." The report contains more detailed information than is possible to include in the Annual Report, and is mainly provided for the use of security analysts. Any shareholder requiring a copy may obtain one by directing a request to the Supervisor — Budgetary Control & Statistics.

Offices

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Calgary, Alberta

UNITED STATES
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Denver, Colorado

1500 - One Houston Center
Houston, Texas

UNITED KINGDOM
6 Arlington Street
London, England

Shares listed

Alberta Stock Exchange
Montreal Stock Exchange
Toronto Stock Exchange
Vancouver Stock Exchange

Registrar and Transfer Agent

Guaranty Trust Company of Canada —
Calgary, Montreal, Toronto, Vancouver

Banker

The Royal Bank of Canada

Auditors

Price Waterhouse & Co.
Chartered Accountants
Calgary, Alberta

lawson graphics western limited

PanCanadian Petroleum Limited
P.O. Box 2850, Calgary, Alberta, Canada T2P 2S5